

**Press Roundtable with U.S. Trade Representative Robert B. Zoellick**  
**Mauritius**  
**Wednesday, January 15, 2003**

**USTR Zoellick:** Just a few opening remarks. AGOA is something that is very important to the United States. Because it fits the heart of President Bush's concept of an expanding circle of development. It's been two years since AGOA passed and it's already a proven road to success, as you've seen with some of the examples that we've discussed. Now it's a question of expanding on that success. At this meeting, what we've already been doing and what we'll be doing over the next two days, is to roll up our sleeves, share experiences, identify problems, and seek to figure out how best to solve them. These are very practical working sessions; people are not giving a lot of long general speeches. We have the key people here from the United States and Sub-Saharan Africa to get down to work. We have trade people. We have development people. We've got people from finance ministries. We have a number of important representatives from the private sector from Africa as well as from the United States. I was told we have here representatives from US apparel firms that cover about 90 % of Africa's exports to the United States. I'm going to try to meet them this evening around the reception because I want to hear what they have to say about some of the questions that we'll be discussing. Just to give you an example: one of the important issues here will be what the United States can do dealing with some of the apparel questions as our quotas come off in 2004 and create new competition for Africa.

We also have the issue, as many of you know, that AGOA has a time period in which a number of the African countries can use third party fabric as part of their apparel exports, but that expires in 2004. Some countries have been developing yarn industries and textile industries, so they may be interested in that expiration so that you can encourage the development of this added industry in Africa. But others are dependent on that third party fabric, so we're getting into some of these issues.

We're very fortunate - I'm very pleased - that we have a number of members of Congress, including some on the House of Representatives' side that are really key to getting things done. You've got the Chairman of the Ways and Means Committee, Bill Thomas. That's a very powerful committee in the US Congress. That's the committee that is responsible for passing all tax legislation and all trade legislation. What they also represent, something that I think is a very good signal, is that after AGOA was passed in 2000, we learned some lessons about some things that we could improve on and so last year we passed AGOA II. I hope that some of these discussions might create the basis for an AGOA III -to show this is a living, breathing economic partnership.

We have people here like Andrew Young and Carl Masters from Goodworks International. This shows both the breadth of support that we have in the United States for AGOA, but also shows the combination that is important to achieve success by drawing on a wider segment of people interested in Africa.

Now, the remarks that I have made, in bilaterals and my opening session and at a special session

tomorrow, also keep recalling that whatever the United States and Sub-Saharan African do at AGOA has to be seen in a global context. And we have a lot of business to do in the WTO negotiations. We want to try to discuss with our African partners where those negotiations stand and how we can try to work together. We're very fortunate that while I'm from the US Trade Representative's office, I lead a delegation that frankly has every office that can make a difference. We've got an Under Secretary of Agriculture here. We've got Andrew Natsios, the head of our AID office, which is important to have the support related to trade. We have Sam Bodman, who is the Deputy Secretary of Commerce, and has very good strong business background in engineering, chemicals and also finance, and we have people from our trade and development administration. We've got people from our Treasury Department. And what I pointed out to my colleagues on the team is that we are here as problems solvers. The starting point of that is to listen, to try to understand more, how AGOA is working and how it can work better. There's no sense of loss or sense of pride about that everything has to be working well. There's nothing that I know of in life that can't be improved and that's why we have these meetings, it's to make sure that we fix the things that aren't working, and learn from the successes and expand them. My job is to be the chief problem solver, but we do so as a partnership. So... happy to take your questions.

**Sydney Selvon (Financial News) :** You spoke of "AGOA III." What would be the basis of new agreements ?

**USTR Zoellick:** Well, you know, one of the reasons that I'm here is to hear from Africans, because they are the ones that are working with AGOA and can figure out how it can be strengthened. Also, obviously, it's important that we have some of the members of Congress because those are the people that push the legislation through. But in general I would say there are issues related, at this point, according to what I've heard here, is related to extending dates, extending the life of all the AGOA provisions, and particularly the question of the third party fabric provisions that would expire in 2004. Now, you're from Mauritius, and so you understand some of the balance here. I was told that there was to be a cornerstone laying event later this week where an investor is putting money into Mauritius to try to develop the additional yarns and fabrics that could then be used throughout Africa. So, from the Mauritius point of view, maybe there's a question of whether that should be extended.

This has happened in South Africa as well. The members of Congress shared with me that they stopped at one apparel plant that was thoroughly the value chain, in other words, it had created the material, the textiles, and also the apparel, which would show that it could all be done in Africa. They also stopped in another one in Namibia, which is just under AGOA II qualified for these extra benefits, and they needed to do some of the imports of the third party fabric. What I've said to some of those who might worry about the extension or think that maybe we shouldn't extend it, is that we need to keep in mind that economics and trade is not a zero sum process, in other words if you can expand apparel and have good quality goods at lower prices, sometimes you can also expand the market. People will get more clothes, they will have more diversity in their clothes, and they'll change the lines. I see this as an area where I hope that we can really do both: we can try to make sure that in Africa we develop some of that textile and yarn and fabric industry but also we help those, like Lesotho and others, who've been very successful. We don't

want to lose that success.

Keep in mind this also includes the environment where the United States is committed, under our Uruguay Round agreement, to remove our quotas under the multifiber agreement. That's a separate issue but that's going to happen at the same time, which means there are many countries around the world, which have urged us to remove quotas, because it doesn't allow free competition. We're now removing those quotas. Our average apparel tariff is about 11 or 12 %, varies by product line, so an AGOA country will still get a benefit as it has zero as opposed to the 12 %. But that will make also tougher competition with China and India and others. So that's another key question. That's one of the reasons I want to meet a number of the apparel companies because from talking to some of them in Washington, I've realized they want to have diversity of sources and China will clearly be the leader in this, but they want to have multiple sources. It also depends on where you are in terms of the product. They feel that in China will certainly be successful on some of the low end products and some of the African countries, including Mauritius, have been moving up the chain a little bit in terms of production. So, it gives you a good feel. Often, as a government official, you discuss the general thrust of policy, but we're getting into very practical issues here. I keep coming back to the point. I've dealt with trade, economic and finance issues, private and public sector, and one of the lessons I learned is you've got to talk to the people who are doing it.

**Matt Rosenberg (Associated Press):** South Africa and Mauritius are in good shape in terms of being able to cope with the end of the AGOA textile package in 2005. Other African countries are not as strong. Will you support extending the fabric package rules?

**USTR Zoellick:** Well, that's what we're discussing with the Africans.

**Rosenberg:** But if it were up to you? Would you extend it?

**USTR Zoellick:** Well, this is something we have to discuss with the members of Congress. What I have expressed in the sessions was that I think this is a very important issue. I mentioned that, in an other context, I have talked with Chairman Bill Thomas in the early part of the year about considering a possible package of issues related to AGOA. I said let's hear what the Africans have to say about it. But I personally have some sympathy with those that are worried about making sure they have enough access to the fabric components. So that's where I start out but I want to listen to others.

**Anthony Moreland (AFP):** What is the likelihood of an extension of the fabric package?

**USTR Zoellick:** It's too early to say, in part because there's a lot of support for AGOA in the United States, from the President to key people like Bill Thomas. But whenever you pass trade legislation you get interests that don't want to face the competition. Our apparel industry has lost some 600,000 jobs since 1994. We managed to get a number of those members from apparel districts to vote for this the last time, members from my party I might say, because the President pushed them very hard and, frankly, it would help us if we could get a little more bipartisan support from Democrats as well as Republicans. In our constitutional system, a law has to go to

the House as well as to the Senate. So I can't tell you that today but I can tell you this: the meetings that we're having here help us get more information, they help us pull together a coalition of people in the apparel industry, they help us find out maybe some of the arguments that Africans can help make in this case. This is why it's a real pleasure to have someone like Andy Young, who is very well respected throughout the US community that cares about Africa, who can also bring back the message. Part of what we are doing with all this is building political support at home for Africa getting the facts and arguments straight.

**Adam Roberts (The Economist):** Where is the agricultural side of AGOA headed in terms of subsidies and sanitary and phytosanitary regulations? What is the next step?

**USTR Zoellick:** You talk about two things. For a start, you raise a very important general point that I've tried to stress, which is when everyone always talks about AGOA in terms of apparel there are 6500 hundred tariff laws and a lot of them don't have anything to do with apparel. It's natural that people focus on apparel because that's often a first level manufacturing industries. There's another reason: the history of the apparel industry is one where the distribution side works back from the retail end to the producer, in other words you've got retailers here finding the production sources. That doesn't happen in many other industries. Although as I noted in the larger forum, it is starting to happen in some areas where you see global sources of information technology. So part of our interest in this dialogue, obviously in this ongoing forum would be to get people to try to move towards diversification.

Within that context, and let me give a specific example that I raised in one of the sessions, I don't know whether it was public, is that when you have a 16 fold increase in South African auto exports, and that's BMW - a quality product. BMWs are being made in Germany, in the United States, in South Africa, and there's a potential for automobile component businesses throughout SACU and elsewhere. We need to expand more along these lines.

Now in agriculture: Our market under AGOA is very open under agriculture. So the question is what is called sanitary and phytosanitary standards. We, as a country, are quite vigorous in trying to explain, around the world, that SPS standards have a place, which should not be used as a protectionist measure. Our Department of Agriculture conducts for many of the products what are called pest risks assessments. This where I think the whole process is useful. One of the things we've been identifying is that this is kind of funnel in the process. People want to export things but they couldn't they couldn't get the pests risks assessment. One of the things that I announced today was that three of the regional hubs would have a specific person from this office, it's called APHIS, plant and health inspection service. They would be dedicated to this function in working with the countries to get the product through the pest's risks assessment. We're also adding 20 people to the staff in Washington to help deal with not just these issues but also other issues. Frankly, I'll tell you why I also see another benefit in this for the United States: I run into these problems all over the world where our products get blocked by this and if we can get more support from Africans to recognize that this should not be a barrier and if we can help demonstrate our credibility by solving some of their problems, that's a win-win situation.

You also mentioned subsidies. I'm really glad you've mentioned this, particularly from The

Economist, because in your most recent edition you published a statement of defense of subsidies by the French Agriculture Minister and I was shocked, I must say, shocked that there was barely a comment on this even though if I had made such a statement about the United States, you would have justifiably ripped me to shreds. What's going on right now in the WTO is that our ability to move forward agriculture, services, manufacturing, the whole package, depends on Europe and Japan. Now to be fair to Europe, Japan is just as bad and it won't move unless Europe moves. Europe is at least willing, some Europeans, are willing to recognize the stakes. The members of your Commission came forward with a proposal that try to work under the current CAP reform and they tried to say "Here is where we can cut " but if you disaggregate the numbers you see a lot of averages which is a sign you're not getting at very serious cuts. But they're trying to go as far as they can with the current common agricultural process. They're right now putting forward new plans for a common agricultural policy. I have great respect for commissioners Lamy and Fischler. They're trying to move this in the right direction but you've got member states there that are going to basically block them. Part of what we need to do is get a message from the developing world to countries like France that say: « The age of colonialism is over, thank you. We would like to be able to be free to sell our products. The Americans are willing to cut their subsidies; all they're asking is that the Europeans cut their subsidies which are three to four times as high to get a little closer to the Americans' subsidies. So that's one of the other things we'd like to push forward. And I hope the next time you tell your editors: "Let's be a little fair."

**Ms Zeenat Hansrod (RFI):** How do you reconcile AGOA trade advantages and preferential treatment with the WTO? Is the US going to replace AGOA with WTO? (as heard)

**USTR Zoellick:** The WTO system has provisions to offer preferences to developing countries. It's a way, as we're seeing in AGOA, to help bring very poor countries more effectively into the trading system. But, at the same time AGOA was conceived with the notion that we would build on it towards a more reciprocal and deeper based economic partnership, which we're starting to do with our free trade agreements with the Southern African Customs Union. So the two are loosely supportive; they give a start to less developed countries, and here Europe and others have done things, every thing but arms proposals, is a step to try to do that. The reason why, in my view, eventually moving to free trade agreements offer a greater stability is that we just talked about expiration dates is a loss, they can expire unlike agreements that have a long term stability that are there unless countries decide they want to walk, to go away from their overall agreement. Therefore, it's very important in terms of creating a deeper economic relationship.

Now your question about replacing, with all due respect: this is a leftover European view from ages of colonialism mercantilism, and I'll be very clear on this because I saw recently that the French Trade Minister Loos made a comment about the US free trade agreement with Morocco, it reminded me somewhat of 1905. The suggestion was that Morocco should not have a free trade agreement with the United States but only with Europe. I have never ever said anything to that degree when Europe goes to Latin American or elsewhere. In fact, quite to the contrary, I say we need more competition. If Europe does free trade agreements around the world, I welcome it. If we're too slow, it's our problem not anybody else's. I really believe this is not the view of the Commission. I don't think the Commission is talking about free trade agreements in this way. I

hope the Commission steps up to its responsibility and points out to Minister Loos that this is an antiquated view and inappropriate in the trading system of today.

It's good for Africa to have trade relations with Europe, the United States, India and China. We want to offer more opportunity here; not try to constrict it. Let me give you an example: the Mauritian Trade Minister said "We're opening US markets and we're getting non Americans investors here." And I said: "That's great! If you can draw investors from BMW to come to South Africa, from Taiwan or other places and it creates jobs in Africa, that's a plus." We don't live in the world that it seems the French Trade Minister lives in. Those days are over. It's not colonialism, it's not mercantilism, we're moving to an open trading system. I believe the Commission shares our view but now and then some people in Europe seem to be stuck two hundred years ago.

**Jean-Marc Poché (Le Mauricien):** There is some concern in Mauritius about free trade agreements. They may not be good for us. Your comment?

**USTR Zoellick:** We do not try to push a country or region into a trade agreement. We only pursue free trade agreements with those that are interested. As you properly point out, about 92 % of the trade from AGOA countries comes to the United States duty free. Then you might ask: "Why are the SACU countries interested in the free trade agreements?" There are a couple of reasons. One, as I said, trade preferences can be changed. Secondly, trade preferences; because there is an uncertainty, they are probably less useful in a more stable investment climate. One of the reasons why a number of countries are interested in having free trade agreements with the United States is that we make them very comprehensive; we cover services, we cover intellectual property, we cover a series of issues that make it a fuller economic relationship. That helps assure investors that this is a good place to put their money. Because of that, certain countries also can see how they can fit this into their own development strategies. In the case of the SACU countries, clearly a number of them want to use a free trade negotiation with the United States to help them support their own reform process, because these are not easy to undertake.

In addition, these agreements promote regional integration within SACU and, unlike the European Union, which just did its agreement with South Africa; we from the start want to include all the countries. I just met with the minister from Botswana, and I visited Botswana the last time I was in Africa, because we see the SACU agreement as a help to an extremely well run economy like Botswana, but a small economy in terms of people, be linked to a larger system.

To return to your key point, we're not pressing people to do free trade agreements. They come to me. We use the preference agreements to basically open the door and then for those who want to take the next step, we explain to them when we do a free trade agreement it's a serious exercise. We're dealing with everything from the digital economy to agriculture, so one doesn't undertake these lightly.

**Alistair Leithead (BBC):** You recently described the EU ban on GMO as « luddite. » What will

you take to negotiations with the EU on GMO?

**USTR Zoellick:** It's my view that we've been patient as long as we can. This moratorium has been in place for about four and a half years, I've been in office for about two years, I've discussed with my colleagues in the Commission, there are some four that have responsibility for this, the fact that I understand the political difficulty and that's one reason we've tried to work to see whether the process would change. As you probably know, the Commission is trying to change the process. The Member States have resisted. I believe that we've waited long enough, that this is anti-scientific, and that it is not only undermining the future of our agricultural trade, but also Africa's. As I was coming here I was looking at some of the research being done on sweet potato crop, in terms of dealing with some of the pests that really reduce the production. It's true of cassava, as well. Let me just point something back to the Europeans. I noticed there was a report from the French Medical Association in December that said that biotech crops were safe, they were useful, and that the French Medical Association suggested that the ban should be lifted. I'm in agreement with the French Medical Association and I hope that others in Europe can join with us.

**Matt Rosenberg (Associated Press):** What about IPR issues. Driving around Mauritius it seems there is a Ralph Lauren factory outlet on every corner. Is the US concerned about counterfeit clothing coming from Africa?

**USTR Zoellick:** We work with the companies that try to deal with their trademarks and other intellectual property rights areas. I haven't really heard that is a major concern from these companies. The companies that I have talked to see Africa as a very important production center. In fact a number of them have come to me and said that after the quotas come off, China will obviously be very competitive, that in terms of having diversity of sources, they would like to do some private sector capacity building. The question is where will it take place? We're doing a free trade agreement with Central America. There's textile apparel production there. We hope there will also be in Africa.

**Stephane Saminaden (L'Express):** What sort of delay might there be in extending AGOA? When might we expect to know if it will be extended?

**USTR Zoellick:** Well, that ultimately will be for the Congress to decide. I think from the administration's point of view, we're very pleased with AGOA's initial success. For two years we've made good progress. We know there's more work to be done and we're sympathetic to the idea that this needs to be in place for a longer period of time. Now how and when do you do the extensions, how long do you do the extensions, those sets of issues are issues that we need to talk with Africans about, the Executive Branch needs to talk with Congress about, but let me say it this way: we've just got this off and running, it's doing a good job, so for my view we need to push it and keep it going.

**David Mageria (Reuters):** We have heard a lot about what Africa wants from AGOA, but what does the US want from AGOA?

**USTR Zoellick:** Well, as I said when I was in Pretoria, US exports to the region have grown after AGOA. There was about a 21 % increase of US exports. We can check that back for you. I believe there is opportunity for growth here. I believe as you see in Mauritius and as you see in South Africa and other economies, that you develop economies that will buy more from the United States. As I use some of the examples, these people earn more and they develop more production, they buy more machinery, and that's the economic benefit to the United States. But there is also a bigger interest. And that is: the world economy will not be complete if there 800 million people that are left out. And there will be a lot of problems that flow from that: health problems, potential famines, security problems. You need to have a strong economic base for society to have effective political systems. You've seen a tremendous change in Africa in the past decade in terms of the spread of democracy, but obviously it's still very, very fragile, Economic strength will also, we hope, will help support the political process, the process of tolerance, as you've seen here in Mauritius, the process of multiparty systems as we have here and you have in Botswana and elsewhere. While it may seem like we're most interested in helping Africa's economy, you may ask why? We feel that the world and we benefit if Africa partakes more of economic growth and opportunity.

Here's a key point, maybe referencing back to my comments about mercantilism and colonialism. We don't believe that trade and economic growth are zero sum. I keep explaining this to colleagues. If people get greater incomes they'll buy more and everybody can buy more. This notion that if you import, "you lose," is an outdated notion. When the US we buys more apparel from Africa and it's good quality at lower prices, who benefits the most: low-income people in the United States because they must use a bigger share of their family budget on clothing. One the points that I have made in the African context about cutting tariffs is that about 70 % of the tariffs the developing countries pay on manufactured goods, that's industrial and most consumer goods, they pay to other developing countries. Part of the challenge here, which we can do through AGOA, SACU, and others, is breaking down barriers among developing countries. What would that do? It would means that their people will have better quality; lower priced goods and their producers will have lower priced inputs. It also means that the economies will grow together. Sorry for the strength of feeling on this. There's no reason why when one country grows, the other is disadvantaged; it's quite to the opposite. I met with a minister, as I've mentioned, from Botswana, I said: " How's your economy doing?" He was telling me a little bit about it. He said one of the most important things is to get the US economy growing more again. The US economy has been growing more, Japan's been sunk, Europe is stumbling along, and so for a lot of these countries, not only in Africa but in Latin America, or South East Asia, it's very important that we all grow together.

**Ms Zeenat Hansrod (RFI):** How far does the US want to go in terms of opening up the energy sector?



**USTR Zoellick:** In our country, that depends on what the private sector firms do, I know it's a little different in France. We believe there are energy resources here. We hope one creates the right investment climate. We hope that US firms, French firms, Russian firms and other firms take advantage of it because we'll be better off.

[Crosstalk, unintelligible question]

**USTR Zoellick:** You say "you" in a way that reflects, I haven't invested because I can't, I'm a government official. We are trying to create an enabling environment for private investors to put their money. You must have spent a lot of time in France; it really works very differently for us. We don't tell energy where to go. Energy companies will come to us and say: "If you can help make sure that the tax law works, or that there is a fair the production sharing arrangement, we would like to develop these resources." But our system works a little differently than yours, I guess.

**Anthony Moreland (AFP):** Official at the African Development bank expressed anger about US agricultural subsidies, specifically about the US Farm Bill. What is your response to African leaders who criticize US farm subsidies?

**USTR Zoellick:** It's a good point. I'm glad you raised it. I'm glad you mentioned the African Development bank. In Latin American, when we do our trade agreement, we're trying to work with multilateral development banks to help fit the trade agreements into not only both trade capacity building but also long term development. In this region, I hope we can do more of the African Development bank as well as the World Bank on that it shows how we look at trade.

There is a lot of disinformation about the Farm Bill. To start out, the fact that our projections for the farm spending over the next two years are about 20 % less than the prior three years. You might ask how this happened. What a lot of people overlooked was that when the prior Farm Bill, which was called The Freedom of the Farm Act, passed in 1996, was supplemented each year with annual supplements. That boosted the spending. One of things that we and the Congress were trying to do in this Farm Bill was do it once, without annual supplements. You might justifiably ask, "Will you keep your word on this?" There was a rather interesting test last year because there was a drought in the upper north west states and in the midst of an election year, somebody pushed for an extra five billion dollars and the President didn't go along with it.

Secondly, if you look at the sums on the Farm Bill, about 75 to 80 % of that money is spent for food aid and conservation programs. And thirdly, there's been a lot of disinformation about this too; it didn't affect our tariffs or anything like that in terms of closing the market.

Now, the second part of this, and this is what I'll freely acknowledge and is why I was pushing

on agriculture, is we're willing to cut those subsidies, but we will not cut our subsidies unless the European Union and Japan cut theirs. Let's take the key elements: Exports subsidies, which are the most pernicious form because there you really paying people to buy your goods. The European Union spends between two and five billion dollars a year, that's "b" as in "boy. We spend at 15 million, that's "m" as in "man." We would be delighted to eliminate those right away. Our proposal was to eliminate them over five years. Second, what is called domestic support, a lot of people kind of mix these up, these are the subsidies that you spend on your domestic programs that distort trade and the WTO has rules about this. Our cap under the WTO rules is 19.1 billion dollars. The European's cap, depending on the euro exchange rate, ranges between about 62 and 69 billion dollars. Now that was a compromise the Uruguay Round made to start to get those subsidies under control, but you can see there's a rather huge asymmetry there.

The Japanese have about a 30 billion dollar cap. Our proposal was to put a new limit of about 5 % of overall production and in that case it would still allow the Europeans more spending than we would have and bring them down about 12 billion and it cut ours about in half. Here is the other interesting thing: this doesn't rule out subsidies that would go under the so called green box, which would be subsidies that are dealing from production, and if you look at the proposal the Commissioner Fischer had last year, he would bring the European subsidies that are production distorting down to about the level that we would make in our proposal. So it's something that could be done if the Member States would get on board. Third, you have tariffs. This is the one that's most challenging because we proposed a rather bold cut using a formula that had been used before in manufactured goods. It's called the Swiss 25 formula, it would cut tariffs around the world by about 75 % and it would mean that no agricultural tariff would be higher than 25 %.

Now, you look at a lot of the tariffs there in rice, 900 %, 500 %, and 300 % and we have high tariffs too but we can get our farm community to back that if we get others to commit to these cuts. That's why my answer to Africans is first, as I said, if you look at the facts you'll see that it was not the nightmare that some of you thought, but we agree with you e need to cut subsidies and if you want to help us, this administration is the one developed country that is now saying we will cut subsidies if others cut subsidies and so join with us because who knows how long that opportunity will last, I hope it'll be through to a first and second term, but you never know and we put a lot of political capital behind passing trade promotional authority to regain the negotiating authority presidents have lost for years for this exact reason. So the moment to act is now and one of the themes that I'm trying to emphasize is the Doha negotiation in my view will stall if we don't get significant progress on agriculture. That would be in my view a tremendous missed opportunity in agriculture as well as all the rest of the negotiations. So we may be having another ministerial soon in Japan. I think if Europe moves, Japan will follow.

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